

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re:)	
)	Chapter 11
)	
FRANCHISE GROUP, INC., <i>et al.</i> , ¹)	Case No. 24-12480 (LSS)
)	
Reorganized Debtors.)	(Jointly Administered)
)	
)	Re: Docket Nos. 1306, 1553, 1684, 1740
)	

**FEE EXAMINER’S FINAL REPORT REGARDING
THIRD THROUGH SIXTH MONTHLY AND FINAL
FEE APPLICATION REQUESTS OF
ERNST & YOUNG LLP**

Direct Fee Review LLC (“DFR”), appointed and employed as the Fee Examiner in the above-captioned bankruptcy proceedings and acting in its capacity regarding the Third through Sixth Monthly and Final Fee Application Requests of Ernst & Young LLP (the “Firm”) for compensation for services rendered and reimbursement of expenses as Tax, Valuation, and Accounting Services Provider to the Debtors for the compensation period from February 1, 2025 through June 2, 2025 (“Fee Application”) seeking approval of fees in the amount of \$1,336,267.00 and the reimbursement of expenses in the amount of \$0.00 and for the final period November 3, 2024 through June 2, 2025 (“Final Fee Application,” and together with the Fee Application, the “Applications”) seeking approval of fees in the amount of \$1,723,067.00 and reimbursement of expenses in the amount of \$0.00, submits its final report.

¹ The last four digits of Franchise Group, Inc.’s federal tax identification number are 1876. The mailing address for Franchise Group, Inc. is 2371 Liberty Way, Virginia Beach, Virginia 23456. The term “Reorganized Debtors” includes Franchise Group, Inc. and certain reorganized debtor affiliates, a complete list of which, including the last four digits of their federal tax identification numbers and addresses, may be obtained on the website of the Reorganized Debtors’ claims and noticing agent, at <https://cases.ra.kroll.com/FRG/>. All of the motions, contested matters, and adversary proceedings that remained open as of the closing of any of the Reorganized Debtors’ cases, or that are opened after the date thereof, are administered in the remaining chapter 11 case of Franchise Group, Inc., Case No. 24-12480 (LSS).

BACKGROUND

1. In performance of audit procedures and in preparation of this report designed to quantify and present factual data relevant to the requested fees, disbursements and expenses contained herein, DFR reviewed the monthly fee statements and the Applications, including each of the billing and expense entries listed in the exhibits to the monthly statements, for compliance with 11 U.S.C. § 330, Rule 2016-1 of the *Local Rules of the United States Bankruptcy Court for the District of Delaware*, as amended February 1, 2025 (“Local Rules”), the *United States Trustee Guidelines for Reviewing Applications for Compensation and Reimbursement of Expenses Filed Under 11 U.S.C. § 330*, issued June 11, 2013 (“Guidelines”).
2. DFR did not prepare informal memos related to monthly fee applications of the Firm. We included our questions and issues in an initial report. We have included all responses and any recommended resolutions in this final report.

DISCUSSION

3. For the compensation period of February 1, 2025 through June 2, 2025 the Firm submitted monthly fee applications in the amount of \$1,336,267.00 as actual, reasonable and necessary fees and for expense reimbursement of \$0.00. For the Fee Application period \$20,210.00 was disclosed as related to fee application preparation.
4. We deem it generally acceptable to have a maximum of 3% of total time charged in preparing fee applications. For Firms with more limited involvement, we consider an alternative standard of less than \$50,000 in total spent on preparing fee applications. We apply these guidelines on a cumulative basis. We evaluate these charges with consideration to the length of time of the case and the practice experience of the firm. In each application we review every entry for substance and to determine the correct

allocation without regard for materiality. We noted that cumulatively through this period the Firm has charged \$20,210.00 related to fee applications on a cumulative basis and we have calculated that 1.2% of the fees billed related to fee applications on a cumulative basis. We do not have an objection to the amount of fees charged for fee application preparation in this fee application based upon our review and procedures and we deem the amount to be reasonable.

5. Our procedures applied to the monthly fee applications identified the entry listed in Exhibit A where the billing rate is different for this timekeeper than all her other entries for this matter. We requested that the Firm review this entry and explain the difference or correct the application. The Firm agreed that this rate was used inadvertently for this entry and should be adjusted. We recommend that fees be reduced by \$1,050.00.
6. Our procedures applied to the monthly fee applications identified timekeepers with limited time charged to this estate. We questioned the necessity and value to the estate because of the minimal involvement. We requested and the Firm provided additional information related to the nature and necessity of the roles of these timekeepers. Since no adjustment is required, no exhibit has been included.
7. Local Rule 2016-1(d)(iv) requires that time be recorded in increments of 1/10th of an hour. We noted that much of the time billed by some timekeepers appeared to have been recorded in units of ½ of an hour. We requested and the Firm provided additional explanation which confirmed that the proper billing unit had been used. Since no adjustment is required, no exhibit has been included.
8. Similarly, our procedures applied to the monthly fee applications identified time entries where time has been aggregated or “lumped”. We requested and the Firm confirmed that

the time charged related to the task identified and that the time billed did not exceed the time actually worked. Since no adjustment is required, no exhibit has been included.

9. Our review and procedures applied to the monthly fee statements and the applications, including each of the billing entries listed in the exhibits to the monthly statements did not disclose any other material issues or questions.

FINAL APPROVAL OF FEES AND EXPENSES

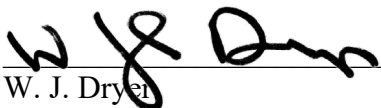
10. The Firm previously filed the First Interim Fee Application Request for the period November 3, 2024 through January 31, 2025. We reviewed these fee requests and filed our reports with the Court recommending approval of the fees of \$386,800.00 and the reimbursement of expenses in the amount of \$0.00 for the period November 3, 2024 through January 31, 2025. We have not identified any changes to our previous report and we continue to recommend the compensation and expense reimbursement as stated therein.

CONCLUSION

11. Regarding the application and the fees and expenses discussed in the previous sections, DFR submits its final report for the Third through Sixth Monthly and Final Fee Application Requests of Ernst & Young LLP for compensation for services rendered and reimbursement of expenses as Tax, Valuation, and Accounting Services Provider to the Debtors for the compensation period from February 1, 2025 through June 2, 2025 and we recommend the approval of the fees of \$1,335,217.00 (\$1,336,267.00 minus \$1,050.00) and reimbursement of expenses in the amount of \$0.00 and we recommend the final approval of the fees of \$1,722,017.00 (\$1,723,067.00 minus \$1,050.00) and the reimbursement of expenses in the amount of \$0.00 for the Final Fee Application.

Respectfully submitted,

DIRECT FEE REVIEW LLC
FEE EXAMINER

By: 
W. J. Dryer

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Exhibit A:

Hill, Andrea	Partner	04 Mar 2025	IRS Audit Assistance	Final review of 30-day letter response/protest to Internal Revenue Service.	3.0	\$1,250.00	\$3,750.00
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